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Chatham Lodging Trust
Form 10-Q
August 06, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
^x 1934

For the quarterly period ended June 30, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from _____ to _____

Commission File Number: 001-34693

CHATHAM LODGING TRUST
(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction of
Incorporation or Organization)

27-1200777
(I.R.S. Employer
Identification No.)

50 Coconut Row, Suite 211
Palm Beach, Florida
(Address of Principal Executive Offices)
(561) 802-4477

33480
(Zip Code)

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

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Class	Outstanding at August 6, 2015
Common Shares of Beneficial Interest (\$0.01 par value per share)	38,306,820

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

CHATHAM LODGING TRUST

Consolidated Balance Sheets

(In thousands, except share and per share data)

	June 30, 2015 (unaudited)	December 31, 2014
Assets:		
Investment in hotel properties, net	\$1,172,798	\$1,096,425
Cash and cash equivalents	18,075	15,077
Restricted cash	18,545	12,030
Investment in unconsolidated real estate entities	25,602	28,152
Hotel receivables (net of allowance for doubtful accounts of \$82 and \$71, respectively)	5,030	3,601
Deferred costs, net	7,547	7,514
Prepaid expenses and other assets	3,665	2,300
Total assets	\$1,251,262	\$1,165,099
Liabilities and Equity:		
Mortgage debt	\$521,379	\$527,721
Revolving credit facility	—	22,500
Accounts payable and accrued expenses	22,332	20,042
Distributions and losses in excess of investments of unconsolidated real estate entities	306	—
Distributions payable	3,968	2,884
Total liabilities	547,985	573,147
Commitments and contingencies		
Equity:		
Shareholders' Equity:		
Preferred shares, \$0.01 par value, 100,000,000 shares authorized and unissued at June 30, 2015 and December 31, 2014	—	—
Common shares, \$0.01 par value, 500,000,000 shares authorized; 38,306,743 and 34,173,691 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	379	339
Additional paid-in capital	718,905	599,318
Retained earnings (distributions in excess of retained earnings)	(19,970)	(11,120)
Total shareholders' equity	699,314	588,537
Noncontrolling Interests:		
Noncontrolling Interest in Operating Partnership	3,963	3,415
Total equity	703,277	591,952
Total liabilities and equity	\$1,251,262	\$1,165,099

The accompanying notes are an integral part of these consolidated financial statements.

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CHATHAM LODGING TRUST

Consolidated Statements of Operations

(In thousands, except share and per share data)

(unaudited)

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Revenue:				
Room	\$67,698	\$43,978	\$122,729	\$77,935
Food and beverage	1,355	585	2,522	1,213
Other	2,335	2,021	4,204	3,629
Cost reimbursements from unconsolidated real estate entities	869	493	1,717	1,165
Total revenue	72,257	47,077	131,172	83,942
Expenses:				
Hotel operating expenses:				
Room	12,755	8,802	23,696	16,557
Food and beverage	973	432	1,820	899
Telephone	416	285	825	572
Other hotel operating	661	507	1,188	950
General and administrative	5,330	3,847	9,971	7,274
Franchise and marketing fees	5,560	3,602	10,055	6,394
Advertising and promotions	1,192	859	2,411	1,689
Utilities	2,100	1,482	4,426	3,102
Repairs and maintenance	2,856	2,057	5,677	4,056
Management fees	2,197	1,396	4,013	2,490
Insurance	285	217	586	433
Total hotel operating expenses	34,325	23,486	64,668	44,416
Depreciation and amortization	12,063	7,365	23,586	13,680
Property taxes and insurance	4,254	2,809	8,339	5,458
General and administrative	2,156	2,364	5,583	4,686
Hotel property acquisition costs and other charges	524	5,559	784	7,041
Reimbursed costs from unconsolidated real estate entities	869	493	1,717	1,165
Total operating expenses	54,191	42,076	104,677	76,446
Operating income	18,066	5,001	26,495	7,496
Interest and other income	323	12	383	26
Interest expense, including amortization of deferred fees	(6,852)	) (4,362)	) (13,665)	) (8,100)
Loss on early extinguishment of debt	—	—	—	(184)
Income (loss) from unconsolidated real estate entities	1,333	) (2,000)	) 1,077	) (2,316)
Net gain from remeasurement and sale of investment in unconsolidated real estate entities	—	66,701	—	66,701
Income before income tax expense	12,870	65,352	14,290	63,623
Income tax expense	(25)	) (38)	) (25)	) (41)
Net income	12,845	65,314	14,265	63,582
Net income attributable to noncontrolling interests	(82)	) (108)	) (90)	) (108)
Net income attributable to common shareholders	\$12,763	\$65,206	\$14,175	\$63,474
Income per Common Share - Basic:				
Net income attributable to common shareholders (Note 11)	\$0.33	\$2.46	\$0.37	\$2.40
Income per Common Share - Diluted:				

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Net income attributable to common shareholders (Note 11)	\$0.33	\$2.44	\$0.37	\$2.38
Weighted average number of common shares outstanding:				
Basic	38,211,833	26,437,878	37,618,234	26,355,237
Diluted	38,618,824	26,734,919	38,022,675	26,637,261
Distributions per common share:	\$0.30	\$0.24	\$0.60	\$0.45

The accompanying notes are an integral part of these consolidated financial statements.

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CHATHAM LODGING TRUST

Consolidated Statements of Equity

(In thousands, except share and per share data)

(unaudited)

	Common Shares		Additional Paid - In Capital	Retained earnings (distributions in excess of retained earnings)	Total Shareholders' Equity	Noncontrolling Interest in Operating Partnership	Total Equity
	Shares	Amount					
Balance, January 1, 2014	26,295,558	\$261	\$433,900	\$(50,792)	\$ 383,369	\$ 2,167	\$385,536
Issuance of shares pursuant to Equity Incentive Plan	16,542	—	337	—	337	—	337
Issuance of shares, net of offering costs of \$461	486,969	5	10,506	—	10,511	—	10,511
Issuance of restricted time-based shares	48,213	—	—	—	—	—	—
Issuance of performance based shares	31,342	—	—	—	—	—	—
Repurchase of common shares	(867)	—	(18)	—	(18)	—	(18)
Amortization of share based compensation	—	—	616	—	616	391	1,007
Dividends declared on common shares (\$0.45 per share)	—	—	—	(11,953)	(11,953)	—	(11,953)
Distributions declared on LTIP units (\$0.45 per unit)	—	—	—	—	—	(116)	(116)
Reallocation of noncontrolling interest	—	—	86	—	86	(86)	—
Net income	—	—	—	63,474	63,474	108	63,582
Balance, June 30, 2014	26,877,757	\$266	\$445,427	\$729	\$ 446,422	\$ 2,464	\$448,886
Balance, January 1, 2015	34,173,691	\$339	\$599,318	\$(11,120)	\$ 588,537	\$ 3,415	\$591,952
Issuance of shares pursuant to Equity Incentive Plan	14,113	—	412	—	412	—	412
Issuance of shares, net of offering costs of \$2,001	4,026,318	40	118,748	—	118,788	—	118,788
Issuance of restricted time-based shares	49,110	—	—	—	—	—	—
Issuance of performance based shares	44,274	—	—	—	—	—	—
Repurchase of common shares	(763)	—	(22)	—	(22)	—	(22)
Amortization of share based compensation	—	—	769	—	769	311	1,080
Dividends declared on common shares (\$0.60 per share)	—	—	—	(23,025)	(23,025)	—	(23,025)

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Distributions declared on LTIP units (\$0.60 per unit)	—	—	—	—	—	(173)	(173)
Reallocation of noncontrolling interest	—	—	(320)	—	(320)	320	—
Net income	—	—	—	14,175	14,175	90		14,265	
Balance, June 30, 2015	38,306,743	\$379	\$718,905	\$(19,970	)	\$ 699,314	\$ 3,963	\$703,277	

The accompanying notes are an integral part of these consolidated financial statements.

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CHATHAM LODGING TRUST

Consolidated Statements of Cash Flows

(In thousands)

(unaudited)

	For the six months ended	
	June 30,	
	2015	2014
Cash flows from operating activities:		
Net income	\$ 14,265	\$ 63,582
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	23,493	13,623
Amortization of deferred franchise fees	93	57
Amortization of deferred financing fees included in interest expense	855	749
Net gain from remeasurement and sale of investment in unconsolidated real estate entities	—	(66,701)
Loss on early extinguishment of debt	—	184
Share based compensation	1,355	1,213
(Income) loss from unconsolidated real estate entities	(1,077)	2,316
Changes in assets and liabilities:		
Hotel receivables	(1,348)	(389)
Deferred costs	(608)	(136)
Prepaid expenses and other assets	(1,119)	(619)
Accounts payable and accrued expenses	1,544	1,225
Net cash provided by operating activities	37,453	15,104
Cash flows from investing activities:		
Improvements and additions to hotel properties	(9,154)	(7,721)
Acquisition of hotel properties, net of cash acquired	(90,155)	(265,288)
Distributions from unconsolidated entities	3,932	449
Restricted cash	(6,515)	(3,455)
Net cash used in investing activities	(101,892)	(276,015)
Cash flows from financing activities:		
Borrowings on revolving credit facility	5,000	126,000
Repayments on revolving credit facility	(27,500)	(78,000)
Payments on debt	(1,582)	(1,342)
Proceeds from the issuance of debt	—	256,000
Principal prepayment of mortgage debt	(4,760)	(32,186)
Payment of financing costs	(374)	(531)
Payment of offering costs	(2,001)	(511)
Proceeds from issuance of common shares	120,789	10,972
In-substance repurchase of vested common shares	(22)	(18)
Distributions-common shares/units	(22,113)	(11,759)
Net cash provided by financing activities	67,437	268,625
Net change in cash and cash equivalents	2,998	7,714
Cash and cash equivalents, beginning of period	15,077	4,221
Cash and cash equivalents, end of period	\$ 18,075	\$ 11,935
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 12,409	\$ 7,129
Cash paid for income taxes	\$ 95	\$ 165

-continued-

Supplemental disclosure of non-cash investing and financing information:

On January 15, 2015, the Company issued 14,113 shares to its independent trustees pursuant to the Company's Equity Incentive Plan as compensation for services performed in 2014. On January 15, 2014, the Company issued 16,542 shares to its independent trustees pursuant to the Company's Equity Incentive Plan as compensation for services performed in 2013.

As of June 30, 2015, the Company had accrued distributions payable of \$3,968. These distributions were paid on July 31, 2015, except for \$112 related to accrued but unpaid distributions on unvested performance based shares (See Note 12). As of June 30, 2014, the Company had accrued distributions payable of \$2,260. These distributions were paid on July 25, 2014, except for \$89 related to accrued but unpaid distributions on unvested performance based shares. Accrued share based compensation of \$275 and \$206 is included in accounts payable and accrued expenses as of June 30, 2015 and 2014, respectively.

Accrued capital improvements of \$1,544 and \$424 are included in accounts payable and accrued expenses as of June 30, 2015 and 2014, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

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CHATHAM LODGING TRUST

Notes to the Consolidated Financial Statements

(in thousands, except share and per share data)

(unaudited)

1. Organization

Chatham Lodging Trust (“we,” “us” or the “Company”) was formed as a Maryland real estate investment trust (“REIT”) on October 26, 2009. The Company is internally-managed and invests primarily in premium-branded upscale extended-stay and select-service hotels.

In January 2014, the Company established an At the Market Equity Offering ("ATM Plan") whereby, from time to time, we may publicly offer and sell our common shares having an aggregate maximum offering price of up to \$50,000 by means of ordinary brokers' transactions on the New York Stock Exchange (the "NYSE"), in negotiated transactions or in transactions that are deemed to be “at the market” offerings as defined in Rule 415 under the Securities Act of 1933, with Cantor Fitzgerald & Co. ("Cantor") acting as sales agent pursuant to a Sales Agreement (the “Cantor Sales Agreement”). On January 13, 2015, the Company entered into a Sales Agreement (the “Barclays Sales Agreement”) with Barclays Capital Inc. (“Barclays”) to add Barclays as an additional sales agent under the Company’s ATM Plan. As of June 30, 2015, we had issued 880,820 shares under the ATM Plan at a weighted average price of \$23.54. As of June 30, 2015, there was approximately \$29,264 available for issuance under the ATM Plan.

In January 2014, the Company established a \$25,000 dividend reinvestment and stock purchase plan ("DRSPP"). Under the DRSPP, shareholders may purchase additional common shares by reinvesting some or all of the cash dividends received on the Company's common shares. Shareholders may also make optional cash purchases of the Company's common shares subject to certain limitations detailed in the prospectus for the DRSPP. As of June 30, 2015, we had issued 3,401 shares under the DRSPP at a weighted average price of \$26.35. As of June 30, 2015, there was approximately \$24,910 available for issuance under the DRSPP.

On January 27, 2015, the Company completed a follow-on common share offering of 4,025,000 shares (including 525,000 shares issued pursuant to the exercise of the underwriters' option to purchase additional shares) generating gross proceeds of \$120,750 and net proceeds to the Company of approximately \$118,802. Proceeds from the January 2015 offering were used to pay down borrowings under the Company's senior secured revolving credit facility and to invest in additional hotel properties, including the acquisition of the Residence Inn San Diego Gaslamp on February 25, 2015.

The net proceeds from any share offerings are contributed to Chatham Lodging, L.P., our operating partnership (the “Operating Partnership”), in exchange for partnership interests. Substantially all of the Company’s assets are held by, and all operations are conducted through, the Operating Partnership. Chatham Lodging Trust is the sole general partner of the Operating Partnership and owns 100% of the common units of limited partnership interest in the Operating Partnership. Certain of the Company’s executive officers hold vested and unvested long-term incentive plan units in the Operating Partnership (“LTIP units”), which are presented as non-controlling interests on our consolidated balance sheets.

As of June 30, 2015, the Company owned 35 hotels with an aggregate of 5,355 rooms located in 15 states and the District of Columbia. As of June 30, 2015, the Company also (i) owns a 10.3% noncontrolling interest in a joint venture (the “NewINK JV”) with affiliates of NorthStar Realty Finance Corp. (“NorthStar”), which was formed in the second quarter of 2014 and acquired 47 hotels comprising an aggregate of 6,094 rooms from a joint venture (the “Innkeepers JV”) between the Company and Cerberus Capital Management (“Cerberus”), (ii) owns a 10.0% noncontrolling interest in a separate joint venture (the “Inland JV”) with affiliates of NorthStar, which was formed in the fourth quarter of 2014 and acquired 48 hotels from Inland American Real Estate Trust, Inc. (“Inland”), comprising an aggregate of 6,401 rooms, and (iii) owns a 5.0% noncontrolling interest in a joint venture (the “Torrance JV”) with Cerberus that owns the 248-room Residence Inn by Marriott in Torrance, CA. We sometimes refer to the NewINK JV, Inland JV and Torrance JV collectively as the “JVs”).

To qualify as a REIT, the Company cannot operate the hotels. Therefore, the Operating Partnership and its subsidiaries lease our wholly owned hotels to taxable REIT subsidiary lessees (“TRS Lessees”), which are wholly

owned by one of the Company's taxable REIT subsidiary ("TRS") holding companies. The Company indirectly owns its (i) 10.3% interest in 47 of the NewINK JV hotels, (ii) 10% interest in 48 of the Inland JV hotels and (iii) its 5% interest in the Torrance JV through the Operating Partnership. All of the NewINK JV hotels, Inland JV hotels and the Torrance JV hotel are leased to TRS Lessees, in which the Company indirectly owns noncontrolling interests through one of its TRS holding companies. Each hotel is leased to a TRS Lessee under a percentage lease that provides for rental payments equal to the greater of (i) a fixed base rent amount or (ii) a percentage rent based on hotel room revenue. The initial term of each of the TRS leases is 5 years. Lease revenue from each TRS Lessee is eliminated in consolidation.

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The TRS Lessees have entered into management agreements with third party management companies that provide day-to-day management for the hotels. As of June 30, 2015, Island Hospitality Management Inc. ("IHM"), which is 51% owned by Jeffrey H. Fisher, the Company's Chairman, President and Chief Executive Officer and 45% owned by affiliates of NorthStar Asset Management Group, Inc, managed 33 of the Company's wholly owned hotels and Concord Hospitality Enterprises Company managed two of the Company's wholly owned hotels. As of June 30, 2015, all of the NewINK JV hotels were managed by IHM. As of June 30, 2015, 34 of the Inland JV hotels were managed by IHM and 14 hotels were managed by Marriott International, Inc. ("Marriott"). The Torrance JV hotel is managed by Marriott.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim consolidated financial statements and related notes have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and in conformity with the rules and regulations of the Securities and Exchange Commission ("SEC") applicable to interim financial information. These unaudited consolidated financial statements, in the opinion of management, include all adjustments consisting of normal, recurring adjustments which are considered necessary for a fair presentation of the consolidated balance sheets, consolidated statements of operations, consolidated statements of equity, and consolidated statements of cash flows for the periods presented. Interim results are not necessarily indicative of full year performance due to seasonal and other factors including the timing of the acquisition of hotels.

The consolidated financial statements include all of the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions are eliminated in consolidation. The accompanying unaudited consolidated financial statements should be read in conjunction with the audited financial statements prepared in accordance with GAAP, and the related notes thereto as of December 31, 2014, which are included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. Recently Issued Accounting Standards

On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU No. 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method. In July 2015, the FASB voted to defer the effective date to January 1, 2018 with early adoption beginning January 1, 2017. The Company is evaluating the effect that ASU No. 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its financial statements.

In August 2014, the FASB issued ASU No. 2014-15, Disclosure of Uncertainties about an Entities Ability to Continue as a Going Concern, which requires management to perform interim and annual assessments of an entity's ability to continue within one year of the date the financial statements are issued and provides guidance on determining when and how to disclose going concern uncertainties in the financial statements. Certain disclosures will be required if conditions give rise to substantial doubt about an entity's ability to continue as a going concern. This guidance is effective for the Company on January 1, 2017 and will not have an impact on the Company's financial position, results of operations or cash flows.

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In February 2015, the FASB issued ASU No. 2015-02, Amendments to the Consolidation Analysis, which requires amendments to both the variable interest entity and voting models. The amendments (i) rescind the indefinite deferral of certain aspects of accounting standards relating to consolidations and provide a permanent scope exception for registered money market funds and similar unregistered money market funds, (ii) modify the identification of variable interest (fees paid to a decision maker or service provider), the VIE characteristics for a limited partnership or similar entity and primary beneficiary determinations under the VIE model, and (iii) eliminate the presumption within the current voting model that a general partner controls a limited partnership or similar entity. The new guidance is effective for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2015 with early adoption permitted. The amendments may be applied using either a modified retrospective or full retrospective approach. The Company is currently evaluating the effect the guidance will have on its consolidated financial statements.

On April 7, 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the debt liability. This standard is effective for fiscal years beginning after December 15, 2015 with early adoption permitted and will be applied on a retrospective basis. The new standard will be effective for the Company on January 1, 2016 and will not have a material impact on the Company's financial position, results of operations or cash flows.

4. Acquisition of Hotel Properties

Hotel Purchase Price Allocation

The allocation of the purchase price of the Residence Inn San Diego Gaslamp hotel ("Gaslamp") based on the fair value on the date of the acquisition, was (dollars in thousands):

	Gaslamp	
Acquisition date	2/25/2015	
Number of Rooms	240	
Land	\$—	
Building and improvements	89,040	
Furniture, fixtures and equipment	960	
Cash	3	
Accounts receivable	81	
Prepaid expenses and other assets	278	
Accounts payable and accrued expenses	(204)
Net assets acquired	\$90,158	
Net assets acquired, net of cash	\$90,155	

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The Company incurred acquisition costs of \$524 and \$784, respectively, during the three and six months ended June 30, 2015 and \$5,559 and \$7,041, respectively, during the three and six months ended June 30, 2014.

The amount of revenue and operating income from the new hotel acquired in 2015 is as follows (in thousands):

	For the three months ended June 30, 2015		For the six months ended June 30, 2015	
	Revenue	Operating Income	Revenue	Operating Income
Residence Inn San Diego Gaslamp	\$3,784	\$988	\$5,323	\$1,336
Total	\$3,784	\$988	\$5,323	\$1,336

Pro Forma Financial Information

The following condensed pro forma financial information presents the unaudited results of operations for the three and six months ended June 30, 2015 and 2014 as if the acquisition of the hotels acquired in 2015 and 2014 had taken place on January 1, 2014 and 2013, respectively. Since the acquisition of the Cherry Creek hotel was not material, the pro forma numbers presented below do not include the operating results of the Cherry Creek hotel prior to the acquisition date. Supplemental pro forma earnings were adjusted to exclude \$0 and \$80, respectively of acquisition costs incurred in the three and six months ended June 30, 2015. Supplemental pro forma earnings for the three and six months ended June 30, 2014 were adjusted to include these charges from 2015. Supplemental pro forma earnings were adjusted to exclude \$4,784 and \$4,784, respectively, of acquisition costs incurred in the three and six months ended June 30, 2014. The unaudited pro forma results have been prepared for comparative purposes only and are not necessarily indicative of what actual results of operations would have been had the acquisitions taken place on January 1, 2014 and 2013, respectively, nor do they purport to represent the results of operations for future periods (in thousands, except share and per share data).

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	2015	2014
Pro forma total revenue	\$72,257	\$66,392	\$133,240	\$122,162
Pro forma net income	\$12,845	\$6,915	\$14,070	\$13,767
Pro forma income per share:				
Basic	\$0.34	\$0.26	\$0.37	\$0.51
Diluted	\$0.33	\$0.25	\$0.36	\$0.51
Weighted average Common Shares Outstanding				
Basic	38,306,743	26,877,757	38,306,743	26,877,757
Diluted	38,713,734	27,174,798	38,711,184	27,159,781

5. Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts at a level believed to be adequate to absorb estimated probable losses. That estimate is based on past loss experience, current economic and market conditions and other relevant factors. The allowance for doubtful accounts was \$82 and \$71 as of June 30, 2015 and December 31, 2014, respectively.

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6. Investment in Hotel Properties

Investment in hotel properties as of June 30, 2015 and December 31, 2014 consisted of the following (in thousands):

	June 30, 2015	December 31, 2014
Land and improvements	\$261,113	\$261,108
Building and improvements	937,048	844,396
Furniture, fixtures and equipment	57,766	61,185
Renovations in progress	11,723	6,574
	1,267,650	1,173,263
Less: accumulated depreciation	(94,852	) (76,838
Investment in hotel properties, net	\$1,172,798	\$1,096,425

7. Investment in Unconsolidated Entities

On April 17, 2013, the Company acquired a 5.0% interest in the Torrance JV for \$1.7 million. The Torrance JV acquired the 248-room Residence Inn by Marriott in Torrance, CA for \$31,000. The Company accounts for this investment under the equity method. During the three and six months ended June 30, 2015 and 2014, the Company received cash distributions from the Torrance JV as follows (in thousands):

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Cash generated from other activities and excess cash	\$—	\$—	\$45	\$38
Total	\$—	\$—	\$45	\$38

Until June 9, 2014, the Company owned a 10.3% interest in the Innkeepers JV with Cerberus, which owned 51 hotels comprising an aggregate of 6,845 rooms. The Company accounted for this investment under the equity method. During the three and six months ended June 30, 2015 and 2014, the Company received cash distributions from the Innkeepers JV as follows (in thousands):

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Cash generated from other activities and excess cash	\$—	\$—	\$—	\$411
Total	\$—	\$—	\$—	\$411

On June 9, 2014, the Innkeepers JV completed the sale of 47 of the 51-hotels, owned by the Innkeepers JV to the NewINK JV, a joint venture between affiliates of NorthStar and the Operating Partnership. NorthStar owns an 89.7% interest and the Company owns a 10.3% interest in the NewINK JV and its 47-hotel portfolio. The remaining four hotels that were part of the 51-hotel portfolio owned by the Innkeepers JV, each of which is a Residence Inn hotel located in Silicon Valley, CA (the "Silicon Valley Hotels"), were purchased by the Company. The Company accounts for its investment in the NewINK JV under the equity method. The remeasurement gain of the Company's interest in the four Silicon Valley Hotels as a result of the step acquisition was approximately \$19,701 and the net gain from the Company's promote interest in the Innkeepers JV was approximately \$47,000 (which was credited toward the purchase of the Silicon Valley Hotels), resulting in a total gain of \$66,701 from the transaction. For tax purposes, the Company's gain resulting from this transaction will be rolled tax deferred between the basis of the Company's investment in the NewINK JV and the Company's basis in the four Silicon Valley Hotels. As of June 30, 2015, the Company's share of partners' capital in the NewINK JV is approximately \$20,400 and the total difference between the carrying amount of investment and the Company's share of partners' capital is approximately \$20,706 (for which the basis difference related to amortizing assets is being recognized over the life of the related assets as a basis difference adjustment).

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During the three and six months ended June 30, 2015 and 2014, the Company received cash distributions from the NewINK JV as follows (in thousands):

	For the three months ended		For the six months ended	
	June 30, 2015	2014	June 30, 2015	2014
Cash generated from other activities and excess cash	\$ 1,670	\$—	\$ 2,492	\$—
Total	\$ 1,670	\$—	\$ 2,492	\$—

On November 17, 2014, the Company acquired a 10.0% interest in the Inland JV, a joint venture between affiliates of NorthStar and the Operating Partnership. NorthStar owns a 90.0% interest in the Inland JV and the Company owns a 10.0% interest. The Company accounts for this investment under the equity method. During the three and six months ended June 30, 2015 and 2014, the Company received cash distributions from the Inland JV as follows (in thousands):

	For the three months ended		For the six months ended	
	June 30, 2015	2014	June 30, 2015	2014
Cash generated from other activities and excess cash	\$970	\$—	\$ 1,395	\$—
Total	\$970	\$—	1,395	\$—

The Company's ownership interest in the JVs are subject to change in the event that either the Company, NorthStar or Cerberus calls for additional capital contributions to the respective JVs necessary for the conduct of business, including contributions to fund costs and expenses related to capital expenditures. The Company manages the JVs and will receive a promote interest in each applicable JV if it meets certain return thresholds for such JV. NorthStar and Cerberus may also approve certain actions by the JVs in which they are the partner without the Company's consent, including certain property dispositions conducted at arm's length, certain actions related to the restructuring of the applicable JV and removal of the Company as managing member in the event the Company fails to fulfill its material obligations under the applicable joint venture agreement.

The Company's investment in the Innkeepers JV is \$0 at June 30, 2015. The Company's investment in the NewINK JV, the Inland JV and Torrance JV are \$(306), \$24,805, and \$797, respectively, at June 30, 2015. The following table sets forth the combined components of net income (loss), including the Company's share, related to the Innkeepers JV, NewINK JV and Inland JV (the Torrance JV is not material) for the three and six months ended June 30, 2015 and 2014 (in thousands):

	For the three months ended		For the six months ended	
	June 30, 2015	2014	June 30, 2015	2014
Revenue	\$ 131,809	\$ 72,857	\$ 239,667	\$ 136,570
Total hotel operating expenses	73,132	39,359	140,387	76,358
Operating income	\$ 58,677	\$ 33,498	\$ 99,280	\$ 60,212
Net income (loss) from continuing operations	\$ 11,293	\$ (19,843)	\$ 7,113	\$ (23,177)
Loss on sale of hotels	\$—	\$—	\$—	\$ (5)
Net income (loss)	\$ 11,293	\$ (19,843)	\$ 7,113	\$ (23,182)
Income (loss) allocable to the Company	\$ 1,144	\$ (2,039)	\$ 717	\$ (2,382)
Basis difference adjustment	150	—	300	—
Total income (loss) from unconsolidated real estate entities attributable to Chatham	\$ 1,294	\$ (2,039)	\$ 1,017	\$ (2,382)

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8. Debt

The Company's mortgage loans and its senior secured revolving credit facility are collateralized by first-mortgage liens on certain of the Company's properties. The mortgages are non-recourse except for instances of fraud or misapplication of funds. Mortgage debt consisted of the following (dollars in thousands):

Collateral	Interest Rate	Maturity Date	6/30/15 Property Carrying Value	Balance Outstanding on Loan as of	
				June 30, 2015	December 31, 2014
Senior Secured Revolving Credit Facility (1)	2.67	% November 5, 2016	\$238,773	\$—	\$ 22,500
SpringHill Suites by Marriott Washington, PA (2)	5.84	% April 1, 2015	—	—	4,760
Courtyard by Marriott Altoona, PA	5.96	% April 1, 2016	10,347	6,064	6,172
Residence Inn by Marriott New Rochelle, NY	5.75	% September 1, 2021	21,025	14,665	14,832
Residence Inn by Marriott San Diego, CA	4.66	% February 6, 2023	46,364	29,809	30,062
Homewood Suites by Hilton San Antonio, TX	4.59	% February 6, 2023	29,256	17,028	17,174
Residence Inn by Marriott Vienna, VA	4.49	% February 6, 2023	32,367	23,330	23,534
Courtyard by Marriott Houston, TX	4.19	% May 6, 2023	31,890	19,300	19,475
Hyatt Place Pittsburgh, PA	4.65	% July 6, 2023	37,573	23,464	23,657
Residence Inn by Marriott Bellevue, WA	4.97	% December 6, 2023	69,033	47,244	47,580
Residence Inn by Marriott Garden Grove, CA	4.79	% April 6, 2024	42,309	34,000	34,000
Residence Inn by Marriott Silicon Valley I, CA	4.64	% July 1, 2024	88,286	64,800	64,800
Residence Inn by Marriott Silicon Valley II, CA	4.64	% July 1, 2024	96,734	70,700	70,700
Residence Inn by Marriott San Mateo, CA	4.64	% July 1, 2024	69,664	48,600	48,600
Residence Inn by Marriott Mountain View, CA	4.64	% July 6, 2024	53,309	37,900	37,900
SpringHill Suites by Marriott Savannah, GA	4.62	% July 6, 2024	37,592	30,000	30,000
Homewood Suites by Hilton Billerica, MA	4.32	% December 6, 2024	11,889	16,225	16,225
Homewood Suites by Hilton Carlsbad CA	4.32	% December 6, 2024	28,447	19,950	19,950
Hampton Inn & Suites Houston Medical Center, TX	4.25	% January 6, 2025	15,432	18,300	18,300
Total			\$960,290	\$	